

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

NOTICE OF HENDERSON-UNION RURAL)	
ELECTRIC COOPERATIVE CORPORATION)	
THAT ON SEPTEMBER 10, 1986, OR AT)	
SUCH TIME AS BIG RIVERS ELECTRIC)	
CORPORATION'S RATE INCREASE BECOMES)	
EFFECTIVE IT WILL ADJUST AND)	CASE NO. 9620
INCREASE ITS RATES TO FLOW THROUGH)	
THE INCREASED WHOLESALE CHARGES OF)	
BIG RIVERS ELECTRIC CORPORATION)	
SOUGHT IN PUBLIC SERVICE COMMISSION)	
CASE NO. 9613)	

O R D E R

After a review of the application of Henderson-Union Rural Electric Cooperative Corporation ("Henderson-Union") to flow through the proposed increase in wholesale rates by Big Rivers Electric Corporation ("Big Rivers"), it has been determined that there may be a potential for absorption of a portion of the increase in power costs.

Commission files and financial data contained in the test-year financial exhibits reflect that the Times Interest Earned Ratio ("TIER") allowed in the Commission's Order in Case No. 8397¹ was 2.28X while the TIER earned in the year ended December 31, 1985, was 2.34X. Recognizing the lowering of interest rates and the overall improvement in economic conditions, the Commission

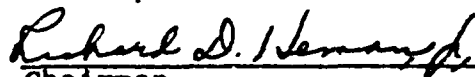
¹ Final Order dated June 15, 1982, Case No. 8397, Adjustment of Rates of Henderson-Union Rural Electric Cooperative Corporation to Provide Adequate Revenues for its Operation.


has lowered the rates of return allowed in certain cases involving other utilities. Recent decisions involving electric cooperatives have resulted in allowed TIER levels of 2.00X reflecting the Commission's general trend of reducing rates of return and TIER. The rate of return required by Henderson-Union to produce a 2.00X TIER is 2.13 percent while its test-year actual rate of return was 7.99 percent. The net income required by Henderson-Union to produce a TIER of 2.00X is \$933,981, while its test-year actual net income, without generation and transmission capital credits, was \$1,195,569.

IT IS THEREFORE ORDERED that Henderson-Union shall provide by October 8, 1986, evidence, including pro forma adjustments and prepared testimony, as to why it should not be required to absorb a portion of the increase in wholesale rates proposed by Big Rivers.

Done at Frankfort, Kentucky, this 15th day of September, 1986.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Executive Director